

General Information Letter: No subtraction modification is allowed for gambling losses not deductible in computing adjusted gross income.

June 7, 2001

Dear:

This is in response to your letter of April 10, 2001 in which you request a ruling. Department rules require that the Department issue two types of rulings, private letter rulings and general information letters. The Department has adopted rules concerning letter rulings and other information issued by the Department (2 Ill. Adm. Code 1200). These rules can be obtained from the Department's website, which can be accessed at www.revenue.state.il.us. We would be happy to send you a copy of those rules at your request.

Although you have not requested either type of ruling on behalf of your company, the nature of your questions and the information you provided necessitates that we respond in the form of general information letter. A general information letter, which is designed to provide general information, is not a ruling that is binding on the Department.

In your letter you wrote:

I had a total of \$24500 in gambling winnings in 2000 from the xxxxxxxxxxxxxxxx in xxxxx, IL. I am writing to ask why I have to pay tax on my winnings when I have a voucher that states I spent \$29000 to win the 24500. I already paid taxes on that money that I won. Even the IRS lets you deduct your losses up to the amount of your winnings. I feel that this is a big injustice to the IL taxpayer to pay taxes on the money they already paid tax on. If I owned a business & made \$24500 I would be able to deduct the expenses against it, what makes winning money any different than earning. Being self employed is as much a gamble as going to the boat. I feel that this letter deserves a reply as to why you have laws like this. I thought that we elected our representatives to do just that, represent us. However this does not seem to be what is being done.

DISCUSSION

The computation of base income for Illinois income tax purposes begins with your adjusted gross income found on line 33 of your federal IL-1040. See §203(a)(1) of the Illinois Income Tax Act. Gambling winnings are included in income for federal purposes on line 21 (other income) of the 1040, and so are included in Illinois income. For federal income tax purposes, taxpayers *who itemize their deductions* may deduct gambling losses to the extent of gambling winnings on line 27 of schedule A as a miscellaneous deduction. This is then part of the computation resulting in the figure found on line 36 of your federal IL-1040. However, as Illinois taxation begins with federal adjusted gross income on line 33 of your federal return, no part of the federal itemized deduction scheme is considered for Illinois income tax purposes.

The Illinois General Assembly deliberately chose not to allow any itemized deductions, which means that gambling losses, home mortgage interest, medical expenses and other items deductible for federal income tax purposes are not deductible for Illinois income tax purposes. Accordingly, unlike business expenses, a taxpayer may not deduct gambling losses in computing their Illinois base income.

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As mentioned above, this is merely a general information letter and not a statement of policy and is not binding upon the Department. I hope that this has been helpful to you. If you have additional questions please feel free to contact me at the above address.

Very Truly Yours,

Charles E. Matoesian
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